

AMENDED IN ASSEMBLY MAY 12, 2016

AMENDED IN ASSEMBLY MAY 3, 2016

AMENDED IN ASSEMBLY APRIL 21, 2016

AMENDED IN ASSEMBLY MARCH 10, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1736

Introduced by Assembly Member Steinorth

(Coauthors: Assembly Members Achadjian, Travis Allen, Baker, Brough, Brown, Chang, Dahle, Beth Gaines, Gallagher, Hadley, Harper, Jones, Kim, Lackey, Low, Maienschein, Mathis, Mayes, Obernolte, Olsen, Patterson, and Waldron)

(Coauthors: Senators Anderson, Cannella, Fuller, Glazer, Morrell, Nguyen, Runner, and Vidak)

February 1, 2016

An act to add *and repeal* Sections 17141.5 and 17204.5 ~~to~~ of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1736, as amended, Steinorth. Personal income taxes: deduction: homeownership savings accounts.

The Personal Income Tax Law, in modified conformity with federal income tax laws, allows various exclusions from gross income, and allows various deductions in computing the income that is subject to the taxes imposed by that law, including miscellaneous itemized deductions that are allowed only to the extent that the aggregate amount of those deductions exceeds 2% of adjusted gross income.

This bill, *upon appropriation of specified funds by the Legislature, on and after January 1, 2017, and before January 1, 2019*, would allow a deduction, not to exceed specified amounts, of the amount a qualified taxpayer, as defined, contributed in any taxable year to a homeownership savings account and would exclude from gross income any income earned on the moneys contributed to a homeownership savings account. The bill would provide that a qualified taxpayer may withdraw amounts from a homeownership savings account to pay for qualified homeownership savings expenses defined as expenses paid or incurred in connection with the purchase of a principal residence, which is defined by reference to a federal law and includes a mobilehome. The bill would provide that any amount withdrawn from that account that is not used for these expenses would be included as income for that taxpayer. The bill would define various terms for its purposes.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17141.5 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 17141.5. (a) For each taxable year beginning on or after
- 4 January 1, 2017, *and before January 1, 2019*, gross income does
- 5 not include, under the same conditions as provided in Section 408
- 6 of the Internal Revenue Code, relating to individual retirement
- 7 accounts, any income accruing during the taxable year to a
- 8 homeownership savings account as defined in Section 17204.5.
- 9 (b) *This section shall become operative on the effective date of*
- 10 *any budget measure specifically appropriating funds to the*
- 11 *Franchise Tax Board for its costs of administering this section.*
- 12 (c) *This section shall remain in effect only until December 1,*
- 13 *2019, and as of that date is repealed.*
- 14 SEC. 2. Section 17204.5 is added to the Revenue and Taxation
- 15 Code, to read:
- 16 17204.5. (a) For each taxable year beginning on or after
- 17 January 1, 2017, *and before January 1, 2019*, there shall be allowed
- 18 as a deduction an amount equal to the amount contributed by a
- 19 qualified taxpayer during the taxable year to a homeownership

1 savings account, not to exceed the amounts specified in subdivision
2 (b).

3 (b) The deduction allowed under subdivision (a) shall not exceed
4 the following amounts:

5 (1) Twenty thousand dollars (\$20,000) for qualified taxpayers
6 filing a joint return, a head of household, and surviving spouses,
7 as defined in Section 17046.

8 (2) Ten thousand dollars (\$10,000) in the case of a qualified
9 taxpayer filing a return other than as described in paragraph (1).

10 (c) Any amount withdrawn from a homeownership savings
11 account shall be included in the income of the payee or distributee
12 for the taxable year in which the payment or distribution is made,
13 unless the payment or distribution is used to pay for the
14 homeownership savings expenses of a qualified taxpayer who
15 established the account.

16 (d) For purposes of this section:

17 (1) "Homeownership savings account" means a trust that meets
18 all of the following requirements:

19 (A) Is designated as a homeownership savings account by the
20 trustee.

21 (B) Is established for the exclusive benefit of any qualified
22 taxpayer establishing the account where the written governing
23 instrument creating the account provides for the following:

24 (i) All contributions to the account are required to be in cash.

25 (ii) The account is established to pay, pursuant to the
26 requirements and limitations of this section, for the qualified
27 homeownership savings expenses of a qualified taxpayer
28 establishing the account.

29 (C) Is, except as otherwise required or authorized by this section,
30 subject to the same requirements and limitations as an individual
31 retirement account established under Section 408 of the Internal
32 Revenue Code, relating to individual retirement accounts, and any
33 regulations adopted thereunder.

34 (D) Is the only homeownership savings account established by
35 the qualified taxpayer.

36 (E) Is established by a qualified taxpayer who has a gross
37 income of 80 percent or less than the area median ~~income~~ *income*
38 *in which the taxpayer resides*.

39 (2) "Qualified homeownership savings expenses" means
40 expenses, including a downpayment or closing costs, paid or

1 incurred in connection with the purchase of a qualified taxpayer's
2 principal residence within the meaning of Section 121 of the
3 Internal Revenue Code in this state for use by that taxpayer who
4 established the homeownership savings account.

5 (3) "Qualified taxpayer" means any individual, or individual's
6 spouse, who has never had an ownership interest in a principal
7 residence subject to the contribution allowed by this section.

8 (4) "Trustee" shall have the same meaning as that term has
9 under Section 408 of the Internal Revenue Code, relating to
10 individual retirement accounts, and any regulations adopted
11 thereunder.

12 (e) *This section shall become operative on the effective date of*
13 *any budget measure specifically appropriating funds to the*
14 *Franchise Tax Board for its costs of administering this section.*

15 (f) *This section shall remain in effect only until December 1,*
16 *2019, and as of that date is repealed.*

17 SEC. 3. This act provides for a tax levy within the meaning of
18 Article IV of the California Constitution and shall go into
19 immediate effect.